



CITY COUNCIL

Finance Committee

Meeting Report Monday, May 16, 2011

Committee Members Attending: F. Acosta, chair, D. Reed, J. Waltman

Others Attending: L. Kelleher, H. Tangredi, C. Geffken, C. Younger, C. Zale, J. Nagel, D. Robinson

Mr. Acosta, chair, called the Finance Committee meeting to order at 5pm.

Role & Duties of Elected City Auditor

Mr. Acosta stated that as the Committee promised this issue will not be taken up until the June Finance meeting.

Cable Channels assigned under Franchise Agreement

Ms. Reed stated that Mr. Geffken, Mr. Nagle and Ms. Sterner, from Comcast, met last week to review this issue. At the meeting Ms. Sterner stated that the renewal of the Franchise Agreement occurred in 2007 with a 15 year term, running through 2022. The agreement provides the City a 5% annual Franchise Fee and a one (1) time \$160,000 payment from Comcast for the City to offset cost of operating the cable channels. She also noted that Comcast and the City in 2007 resolved a Franchise Fee dispute and negotiated payment of \$165,000. Annual Franchise Fees yields approximately \$700,000 annually for the City. These fees are paid by Comcast subscribers in Reading (approximately 17,500). Under the Franchise Agreement Comcast provides three (3) channels (public, educational, government). The MAC Channel is the government channel and it is available primarily in the City. The BCTV Channel is the public channel and that station is broadcast to the entire Berks County community. The County School Districts provide mixed programming on the educational channel. The government channel is used solely by the City however, the BCTV and school channels are used by other municipalities and entities so it is not practical to sell or lease one of the channels back to Comcast.

Mr. Nagel stated that Comcast has merged with NBC Universal and plans to provide an initiative that will offer discounted internet services to underprivileged families (those that qualify for the School District's free lunch program).

Ms. Kelleher noted that each municipality negotiates its own franchise agreement with Comcast individually; however the City provides the BCTV channel and the educational channel to the entire County.

Act 47 Plan – City Pension Plans

Mr. Nagel stated that while reviewing City ordinances PFM discovered that the City's three (3) pension ordinances do not meet the requirements of the Federal Internal Revenue Code. If the City's fails to make corrections, tax-exempt status of these plans could be eliminated. Mr. Nagel stated that the IRS had a window that allowed municipalities to correct their ordinances without penalty; however that window closed January 31st, 2011. He stated that he will check to see if this deadline was extended.

Mr. Nagel stated that Stevens & Lee has reviewed the Police, Fire and both versions of the Officers and Employees pension plan ordinances during the preparation of the Act 47 Recovery Plan. Correcting this inconsistency is one of the initiatives contained in the Plan. He described the various inconsistencies, as stated in the memo attached to the agenda. This issue has been reviewed with all three (3) Pension Boards who have agreed to jointly retain outside legal counsel to assist with the correction. He noted that it is still possible to submit a Voluntary Compliance Program filing with the IRS to bring deficient plans into compliance. He stated that this will prevent significantly larger sanctions in the event the IRS discovers the issues on its own. An RFP to identify outside legal counsel will be put out within the next month and it is expected that outside attorney will come on board by August or September.

Mr. Acosta inquired if Mr. Nagel is undertaking a review of all operations within the Finance Department and making corrections, as needed. Mr. Nagel replied affirmatively.

Capital Project Audit

Mr. Acosta noted Mr. Cituk's absence. He inquired if Ms. Kelleher invited Mr. Cituk to the meeting.

Ms. Kelleher stated that she invited Mr. Cituk, the same way she invites Mr. Geffken, Mr. Nagel and Mr. Zale, by emailing the agenda to them.

Mr. Acosta asked Ms. Kelleher when the last Capital Project audit was received from the City Auditor. Ms. Kelleher stated that the City Auditor has never completed a

Capital Project audit.

The Finance Committee asked Ms. Kelleher to prepare a letter from the Finance Committee requesting that Mr. Cituk begin providing Capital Project audits at the June Finance Committee meeting.

Review Finance Reports

Mr. Nagel reviewed the memorandum distributed electronically to City Council which provides highlights of the cash-flow report. Mr. Nagel stated that the City began April with a \$2.8M cash balance and ended April with a \$5M cash balance. Due to the one (1) month lag in receiving payments from the County, real estate tax revenues are currently behind last years pace by approximately \$4M. The total collected to date is \$7.2M.

Mr. Nagel stated that Berks EIT will be remitting Earned Income Tax collections quarterly with 20% sent in April, July and October, while May remittances will be at 40% due to the concurrent deadlines for Federal and State individual returns. To date the City has collected \$1.7M in Earned Income tax revenue, which is approximately 15.2% of that budgeted. He noted that the Business Privilege tax collection is significantly ahead of last years pace, whereby 59.8% of that budgeted has been collected.

He stated that the Real Estate Transfer tax is currently underperforming at 23.6% actual to budget. It is expected that the peak season for real estate transfers has just started and will be monitored closely.

Mr. Nagel reported that wage and salary expenses represent 33.3% of the annual budget to date; however the City is slightly ahead of last years pace. He reported that operating costs are also at 33.3% of the annual budget to date. He stated that this is slightly ahead of last year's pace and Finance task will be identifying and discussing budget variances. He noted that he may need to perform some budget adjustments by mid-year.

The Finance Committee thanked Mr. Nagel for this memorandum which provides an overview of the City's Finance reports.

IT Report

Mr. Tangredi highlighted the report distributed electronically. He stated that the human services guide will go up on the website this week. He stated that fewer employees are accessing the training opportunities scheduled through IT. He also stated that the next level of supervisory training will be provided to those employees who attended the initial sessions.

Update Major Systems Residential Rehab – Program Amendment

Mr. Robinson stated that Mr. Miller from NHS who will be administering the program made a presentation to Council in March of this year noting that the program will be provided in Ricktown and in the Perkiomen Avenue area.

Ms. Kelleher noted that at the April Finance Committee meeting the Finance Committee requested that the program be modified to provide 50% of the funding to Ricktown and the other 50% City-wide. She stated that an email conversation was held last week with Mr. Miller and others. The need for Council to decide whether the program would be age-based or income-based needs to be finalized.

After a brief discussion the Committee stated that the program eligibility should be income-based in Ricktown and asked that the City-wide program eligibility should be applied as it had been previously.

Update Collection Report for Delinquent Taxes & Misc. Fines and Fees

Mr. Geffken and Mr. Nagel stated that Linebarger has been underperforming and the contract with them will be discontinued. Another collection agency will be sought.

Review Act 47 Recovery Plan Initiative

Mr. Tangredi stated that the report is available on the City's website.

CD Report

Mr. Robinson distributed hardcopy of the projected 2011 CDBG income. A copy of this report is also linked to the Finance Committee agenda. He stated that the City has not obtained a confirmation letter from HUD regarding the funding levels for 2011 Calendar year. He stated that the City is expecting, at worst, to receive a 16% reduction.

The Committee requested information on the CD unprogrammed funds. Mr. Geffken stated that a report for the last three (3) years will be provided.

Other Matters

The Finance Committee meeting adjourned at approximately 6:30 pm.

Respectfully submitted by Linda A. Kelleher CMC, City Clerk

FOLLOW-UP REQUIRED

- Electronic financial reports to be provided with the committee agenda packets, including bullet point list of major items
- Amendment of the Recovery Plan to correct miscalculations
- Discussion on allocation of CDBG Funds for eligible projects in the 6 Council Districts
- 2011 Budget Follow-up Issues, assigned to Committees
- Per Capita Tax Collection – CG to ask RSD if they will take over billing and collection & Portnoff identification of those not currently paying
- Update to Major Systems Rehab Program – D. Robinson
- Report – Closing out old CDBG loans – D. Robinson
- Invite Comcast and BCTV re cable channels & franchise agreement – June meeting
- Role and Duties of City Auditor – June
- Inclusion of Council staff in training sessions organized by the Administration